

# Information Technology General Obligation Bonds

## House Bill 15

The 1999 legislature authorized \$18.8 million of general obligation bonds in House Bill 15 (HB15) for the purpose of funding major information technology projects in two state entities. The Montana Department of Revenue will receive the bulk of the bond proceeds (\$18.0 million) for its Project META/POINTS, and the Montana University System will receive the remaining amount (\$0.8 million) for its Banner project. These projects are described in more detail later in this narrative.

HB 15 requires the bonds issued for software, software licensing, and contract services to mature within 10 years from their issue date. Bonds issued for equipment and operating software are required by HB15 to mature within four years from their issue date.

Table 18 identifies the use of the bond proceeds and the projected debt service payments associated with the general obligation bonds.

| <b>Table 18</b>  |                                  |                                       |  |
|--|----------------------------------|---------------------------------------|--|
| <b>HB15 -- Information Technology Bonds</b>  |                                  |                                       |  |
| <b>Approved Projects and Estimated Debt Service</b>  |                                  |                                       |  |
| <b>Agency/Project</b>  | <b>G.O. Bonds<br/>Authorized</b> | <b>2001 Biennium<br/>Debt Service</b> | <b>2003 Biennium<br/>Debt Service(1)</b> |
| Department of Revenue<br>--Project META/POINTS   | \$ 18,000,000                    | \$ 1,249,300                          | \$ 4,493,884                             |
| Montana University System<br>--Banner Project  | \$ 800,000                       | \$ 199,728                            | \$ 199,728                               |
| Total  | <u>\$ 18,800,000</u>             | <u>\$ 1,449,028</u>                   | <u>\$ 4,693,612</u>                      |
| (1) The Montana University System bonds will be issued in May 1999 and the first payment due in FY2000. The Department of Revenue will undertake its project in stages. Approximately \$10 million of G.O. bonds will be issued in late FY2000, with the first |                                  |                                       |  |

## Project Descriptions

### Department of Revenue – Project META (POINTS)

During the 1997 legislative session, the Montana Department of Revenue (DOR) sought and obtained \$17.8 million to redesign and integrate its tax information systems and to create a centralized state revenue collection and information processing center. The funds were used to launch the department's business and organizational redesign processes (called Project META) that, in part, enabled the creation of the centralized state revenue collection and information processing center. Bond proceeds were used to integrate wage-based taxes (unemployment insurance and withholding) and develop the common system infrastructure for all tax systems. The integrated tax system, named POINTS (for

Process Oriented INTEgrated System), is being completed in phases. The accomplishments just described comprise POINTS Phase I.

Funding for POINTS Phase II, the integration of property tax, corporation and natural resource taxes, individual income tax, and miscellaneous taxes in this priority order, was approved by the 1999 legislature in HB 15 for \$18.0 million. The Executive Budget recommended \$25.0 million for POINTS Phase II funding. When questioned if POINTS Phase II could be completed with \$18.0 million, DOR responded that they would make every effort to do so, but left the door open to returning to the 57<sup>th</sup> Legislature for additional funding.

DOR advocated several non-financial benefits of implementing POINTS, including:

- Streamlining DOR's processes through the use of modern business technologies and practices;
- Enhancing customer service;
- Increasing the ability to respond to tax law changes;
- Improving tax processing accuracy;
- Ensuring tax fairness; and
- Increasing productivity.

Moreover, the department asserted that the net revenue increase (tax revenues exceeding the debt service costs) over the life of Phase I and II bonds was approximately \$18.0 million.

#### Montana University System – Banner Project

While the Banner project is listed in Table 18 and House Bill 15 as the information technology project, the intended purpose of the bond proceeds for the Montana University System, as stated in section 5(2) of HB15 is:

“All of the bonds authorized and issued for the Montana university system under ...[this bill] must be used to reduce student fees levied for information technology purposes.”

University students successfully lobbied for relief from information technology fees authorized by Board of Regents Item #98-001-R0398. The information technology fees authorized by the Board of Regents on May 22, 1998 are currently being assessed at MSU campuses only; however, the UM administration is preparing a proposal for the Board's May 1999 meeting that would implement a new information technology fee on UM campuses. Moreover, the university system has no plan in place to ensure student information technology fees are reduced in the 2001 biennium.

## Funding

HB 15 general obligation bonds are funded 100 percent from the state general fund.